

11-25-1986

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Argentine Economic Adjustment Plan Succeeds Despite World Market Squeeze

by LADB Staff

Category/Department: Argentina

Published: 1986-11-25

On Nov. 20 Jorge Gonzalez, Subsecretary for Domestic and Foreign Debt and Public Credit, told a meeting of Latin American bankers that the Plan Austral has achieved substantive success, although not as great as desired by President Raul Alfonsin's economic team. Gonzalez's remarks were delivered in a speech to the annual congress of the Latin American Bank Federation (Federacion Latinoamericana de Bancos-FELABAN) in Quito, Ecuador. The Argentine official stressed that the adjustment plan went into effect at a time when the "international scenario was the most adverse ever confronted by Argentina." Moreover, he said, the immediate future is not "optimistic," considering that world market prices of Argentine exports continue to decline.

According to Gonzalez, since the Austral Plan was implemented, inflation has been sharply reduced, an important "remonetization" of the national economy has taken place, interest rates have undergone significant reductions, and the overall fiscal deficit has been drastically reduced. Next, he asserted that exchange rates have stabilized, maintaining the value of the austral, while real wages with the exception of public sector employees are equal to pre-Plan levels. Industrial production, said Gonzalez, is up by 20% vis-a-vis the first four months of 1985. Gonzalez continued by outlining policy measures undertaken to improve domestic productivity, and diversify export composition.

Examples here were the recently completed economic integration agreements with Brazil. He added that these and other policies are expected to expand markets and improve domestic competitiveness. In reference to the foreign debt burden, Gonzalez said that by year-end 1985, the total had reached \$48 billion. He claimed that large annual increases in the foreign debt were the result of high interest rates. An important part of the debt, he said, was contracted under the influence of "erroneous" economic policies by previous administrations, but with the support of commercial banks and creditor nation government. (Basic data from AP, 11/20/86)

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